

COMMUNITY DEVELOPMENT ADMINISTRATION
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
STATE OF MARYLAND
HOMEOWNERSHIP PROGRAMS
MARYLAND HOMECREDIT PROGRAM

MORTGAGE CREDIT CERTIFICATE AGREEMENT

THIS MORTGAGE CREDIT CERTIFICATE AGREEMENT (the "Agreement"), effective as of the date the Community Development Administration (the "Administration") executes this Agreement, is between the Administration, a unit in the Division of Development Finance of the Department of Housing and Community Development (the "Department"), a principal department of the government of the State of Maryland, having its office at 7800 Harkins Road, Lanham, Maryland 20706, and _____, having its principal office at _____ (the "Mortgage Lender").

RECITALS

The objective of the Maryland HomeCredit Program (the "MHCP") is to provide homeownership opportunities to eligible limited income homebuyers in the State. The Administration pursues this objective by issuing Mortgage Credit Certificates ("MCCs") to eligible Borrowers who may use the MCCs to claim a credit on their federal tax returns for a portion of the interest they pay on their Mortgage Loans to finance the purchase of a principal residence. The Mortgage Loans in the MHCP are made by the Mortgage Lenders and may or may not be purchased or refinanced by the Administration. The Mortgage Loans cannot be made with the proceeds of tax-exempt qualified mortgage bonds issued by the Administration or any other entity.

The MHCP is offered pursuant to the Act. The Mortgage Lender agrees to comply with the requirements set forth in this Agreement, the Lender's Compliance Manual, and the requirements of the federal tax laws relating to MCCs. The Administration must rely upon all participating Mortgage Lenders to comply with these requirements when making Mortgage Loans to be certified by MCCs issued by the Administration.

The Mortgage Lender desires to make Mortgage Loans to be certified by the Administration through the issuance of MCCs in accordance with the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual representations, warranties, promises, and covenants set forth in this Agreement, the Administration and the Mortgage Lender agree as follows:

SECTION 1. Definitions. Words and terms not otherwise defined have the meanings ascribed to them in the Lender's Compliance Manual for the MHCP. In addition, the following words and terms used in this Agreement have the following meanings:

"Acquisition Cost" means the total cost (excluding settlement costs and expenses) of acquiring an Eligible Residence as a completed residential unit, computed in the manner prescribed in the Buyer's Affidavit.

"Act" means Sections 4-101 through 4-255 of the Housing and Community Development Article of the Maryland Annotated Code, as amended.

"Borrower" means one or more legally competent borrowers who satisfy the following conditions:

(1) The income of the Borrower's Household at the time of application to the Mortgage Lender does not exceed the applicable maximum established by the Secretary of the Department in accordance with the Act and described in the Lender Documents;

(2) For an acquisition Mortgage Loan, the Borrower may not own any real property except (A) a cemetery plot, (B) a recreational vehicle lot, (C) a 1/20th (2.6 weeks) or less interest in a time sharing unit, (D) a lot on which the residential housing unit to be financed with the proceeds of the Mortgage Loan is to be built, or has been built as permitted in the Regulations and the Lender Documents, or (E) the existing principal residence of any member of the Borrower's Household, unless (i) the Mortgage Loan is to be for the acquisition of a single family residence located in a Targeted Area, and (ii) the existing principal residence is subject to a contract of sale at the time of application and is conveyed before the settlement of the Mortgage Loan; and

(3) For an acquisition Mortgage Loan, the Borrower must intend to occupy the Eligible Residence as his or her principal residence within 60 days after the settlement of the Mortgage Loan (unless the Administration permits otherwise) and permanently after that; and

"Buyer's Affidavit" means the affidavit or affidavits, in the forms prescribed by the Administration, completed by a Borrower for a Mortgage Loan, and which may be variously titled as "Buyer's" or "Borrower's" Affidavits.

"Commitment" means a letter (similar to those used by the Mortgage Lender in its residential mortgage lending practice) issued by the Mortgage Lender to an Eligible Borrower indicating the willingness of the Mortgage Lender to make a Mortgage Loan. The letter must commit to the prospective Borrower, for a stated period of time, a stated amount of money at the Interest Rate for the purpose of financing the acquisition of a particular Eligible Residence.

"Deed of Trust" means a deed of trust, mortgage deed, mortgage or other instrument creating a first lien (except as otherwise permitted by the Administration) on (1) a fee interest in real property located in the State (including an interest in a condominium unit pursuant to Maryland law, or (2) real property located in the State held under a perpetually renewable lease or a lease pursuant to which the lessor has no greater rights, except as to term, than the rights of a lessor pursuant to a perpetually renewable lease and which has an unexpired term at least 10 years greater than the term of such deed of trust, mortgage deed, mortgage or other instrument, or (3) such other interest permitted under the Lender Documents.

"Deed of Trust Note" means a Note evidencing indebtedness, which Note is secured by a Deed of Trust.

"Eligible Borrower" means except as otherwise provided by applicable Lender Documents, (A) with respect to a Targeted Area Loan, a Borrower and (B) with respect to all other Mortgage Loans, a Borrower who does not have a present ownership interest in his or her principal residence (other than a mobile home that was not permanently fixed to real property) at any time within the three-year period ending upon the date of closing of such Mortgage Loan.

"Eligible Residence" means residential housing that meets the criteria of the Act, the Regulations and the applicable Lender Documents.

"FHMLC" means the Federal Home Loan Mortgage Corporation and any agency or instrumentality of the United States of America succeeding to the secondary mortgage market functions of that corporation.

"FNMA" means the Federal National Mortgage Association and any agency or instrumentality of the United States of America succeeding to the secondary mortgage market functions of that association.

"GMI" means governmental mortgage insurance or guaranty issued by a Governmental Insurer and providing primary mortgage insurance or guaranty of all or a portion of a Mortgage Loan "GMI" does not include Pool Insurance where applicable.

"Household" means an individual or individuals who occupy or intend to occupy (a) the Eligible Residence, in the case of a single family residence, or (b) one of the units in the Eligible Residence, in the case of a two to four unit residence.

"Income", except as otherwise provided by applicable Lender Documents, means, for purposes of determining whether an applicant for a Mortgage Loan is qualified as an Eligible Borrower, 100 percent of annual gross income based on current rate of income from all members of the applicant's Household, except the income of full-time high school or undergraduate students, unless such person is a borrower or guarantor. "Income" includes overtime, bonuses, commissions, investment and interest income, unemployment insurance, alimony, child support, pensions, and all other income from any source, less unusual or temporary income items and less abnormal expenses of a long-term unusual nature, such as extraordinary medical, rehabilitation, or special education expenses, as determined by the Administration.

"Interest Rate" means the rate or rates of interest specified by the Mortgage Lender in the Commitment.

"Lender's Compliance Manual" means the Lender's Compliance Manual for the Maryland HomeCredit Program, attached as Exhibit II to this Agreement and incorporated in it.

"Lender Documents" means any documents issued by the Administration from time to time pursuant to this Agreement, including the Lender's Compliance Manual, Program Directives, and Highlight Sheets, all as may be amended from time to time. As the context requires, the term "Lender Documents" shall mean the then current Lender Documents.

"MCC" means a Mortgage Credit Certificate issued by the Administration under and in compliance with Section 25 of the Internal Revenue Code of 1986.

"MHCP" means the Administration's program to issue MCCs.

"MIP" means mortgage insurance premium in connection with a Mortgage Loan for an Eligible Residence.

"Mortgage Lender" means an approved bank, trust company, savings institution, savings and loan association, national banking association, mortgage banker or other financial institution that maintains an office in the State and engages in making or originating "residential mortgage loans", as defined in the Act, that meets the requirements set forth in the Regulations and has been approved by the Administration; any insurance company that is authorized to transact business in the State, that meets the requirements set forth in

the Regulations and has been approved by the Administration; and the Maryland Home Financing Program established pursuant to Subtitle 8 of the Housing and Community Development Article of the Maryland Annotated Code, as amended.

"Mortgage Loan" means, in general, a loan (1) evidenced by a Deed of Trust Note and secured by a Deed of Trust, (2) made to an Eligible Borrower to finance the acquisition of an Eligible Residence.

"PMI" means private mortgage insurance (other than pool insurance) issued by a private mortgage insurance company qualified to transact business in the State and providing primary mortgage insurance for all or a portion of a Mortgage Loan.

"Program Directive" means a written notice, instruction, authorization or interpretation issued by the Administration with respect to the MHCP, the Lender Documents, or this Agreement.

"Region Limit" means the maximum Acquisition Cost specified in the Lender Documents for an Eligible Residence located or to be located in a particular region of the State, as the Administration may amend such maximum Acquisition Costs from time to time.

"Regulations" means the Administration's Single Family Program Regulations, COMAR 05.03.02, as amended from time to time

"Seller's Affidavit" means the affidavit or affidavits, in the forms prescribed by the Administration, completed by the seller of an Eligible Residence that is sought to be acquired with the proceeds of a Mortgage Loan.

"State" means the State of Maryland.

"Targeted Area" means any of the areas that meet the criteria of Sections 25 and 143 of the Internal Revenue Code of 1986, which areas may be identified by the Administration in the Lender Documents or otherwise.

"Targeted Area Loan" means a Mortgage Loan to finance the acquisition of an Eligible Residence located or to be located in a Targeted Area.

"VA" means the Department of Veterans Affairs.

SECTION 2. Issuance of MCCs.

(a) The Administration shall issue MCCs certifying Mortgage Loans made by the Mortgage Lender that meet all requirements set forth in the Act, the Regulations, the Internal Revenue Code of 1986, and applicable Lender Documents.

(b) The Mortgage Lender shall issue Commitments for and originate such Mortgage Loans within the time periods specified in the Lender Documents.

(c) In accordance with the instructions of the Administration, the Mortgage Lender shall provide to the Administration any information that the Administration reasonably may request with respect to the Mortgage Loans for which the Mortgage Lender requests certification.

(d) The Mortgage Lender shall comply with Lender Documents of the Administration, shall utilize form documents provided or approved by the Administration, and give notices to Borrowers and provide to the Administration evidence of such notices, all as required in order to comply with MHCP requirements and requirements of State and federal law, as amended from time to time.

(e) The Mortgage Lender will make annual reports to the Internal Revenue Service on Form 8329, due each January 31 with respect to certified Mortgage Loans closed in the prior calendar year, and immediately after filing, submit a copy to the Administration.

SECTION 3. Targeted Area Loans. The Administration is obligated to make MCCs available for Mortgage Loans for Eligible Residences located within Targeted Areas. The Administration may therefore require in the Lender Documents that the Mortgage Lender use its best efforts to issue Commitments for and make Targeted Area Loans.

SECTION 4. Terms and Conditions of Mortgage Loans.

(a) Eligible Borrowers; Interest Rate; Principal Balance; Term. Each Mortgage Loan:

(1) shall be made to a Borrower or Borrowers (A) who, on the basis of generally accepted mortgage underwriting criteria, have the financial ability to repay the indebtedness, for the purpose of financing the acquisition of an Eligible Residence and (B) each of whom qualifies as an Eligible Borrower;

(2) shall bear interest at the applicable Interest Rate; and

(3) shall be in an amount, for a term, and in all other respects, shall meet the requirements set forth in the Lender Documents.

(b) Fees and Charges.

(1) The Lender may charge the borrower points, origination fees, servicing fees, application fees, survey fees, credit report fees, insurance fees, and other fees, provided that no such points or fees exceed the amounts customarily charged with respect to mortgages not provided in connection with MCCs.

(2) In addition to points and fees described in paragraph (1), the Lender may charge the borrower a fee up to a limit set forth in the Lender Documents, to recover reasonably necessary administrative costs incurred by the Lender in connection with the MCCs. The Administration may charge the Lender a fee for services by the Administration with respect to the MCCs, and any such fee charged by the Administration may be included by the Lender in the reasonably necessary administrative costs recoverable under this paragraph (2).

(3) The Mortgage Lender may not receive, directly or indirectly, any other points, fees, charges, or other remuneration of any kind in processing an application for MCCS unless specifically authorized by the Administration in the Lender Documents.

(c) Allocation of Costs. With respect to any Mortgage Loan certified by the Administration, to the extent not otherwise directed by the Administration, the buyer and seller shall allocate between themselves all financing or settlement costs and any other adjustments in a fair and equitable manner consistent with customary mortgage loan closing practices in the community.

(d) Due-on Sale; Assignments and Assumptions. The Mortgage Loan shall be due in full upon any sale or other transfer of the mortgaged property and may not be assumed, except as provided by the Administration.

(e) Use of Mortgage Loan Proceeds. Except as authorized by the Administration in writing, no portion of the proceeds of a Mortgage Loan may be used:

(1) to refinance, directly or indirectly, an existing mortgage loan or loans of the Borrower on the Eligible Residence (other than a construction period loan or a bridge or other interim loan having a term not in excess of 24 months);

(2) to finance, directly or indirectly, the purchase of an Eligible Residence (A) which, at the time the proposed Borrower applied for the Mortgage Loan, was being purchased by such Borrower pursuant to an installment purchase contract or (B) from a seller who himself was the contract purchaser at the time the proposed Borrower entered into a contract for the purchase of such Eligible Residence;

(3) to pay any financing or settlement costs and any other adjustments, except the cost of such MIP, settlement costs, or other costs as may be permitted by the Administration in the Lender Documents; and

(4) to pay the cost of any items deducted from the sales contract price in computing the Acquisition Cost of such Eligible Residence.

(f) Administration Forms. The Mortgage Loan MCC-related documents that are to be executed by the Borrower or the seller or both, including the Deed of Trust Note and the Deed of Trust, shall be prepared and executed on forms prepared or approved in advance by the Administration.

(g) General Compliance. The Mortgage Loan shall conform to all applicable terms and conditions set forth in the Lender Documents, the Regulations and this Agreement.

(h) Mortgage Lender Commitment. The Administration will not issue an MCC for a Mortgage Loan for which the Mortgage Lender has issued a Commitment before the Mortgage Lender has received an MCC reservation in accordance with the Lender Documents.

(i) Limitations on Purchase. In the Lender Documents, the Administration, in its sole discretion may restrict or prohibit the certification of certain types of Mortgage Loans. In addition, the Administration will not issue MCCs pursuant to this Agreement, if:

(1) the ownership of the mortgaged premises is in a form other than that required by the Lender Documents.

(2) the Deed of Trust Note is co-signed or guaranteed, directly or indirectly, by any person other than the Eligible Borrower or Borrowers.

(j) Untrue or Incomplete Statements as Events of Default. The Mortgage Loan documents shall provide that it shall constitute an event of default and entitle the Administration, at its option, to require the Mortgage Lender or any successor owner of the Mortgage Loan to accelerate the indebtedness if the Administration determines at any time that any representation or statement of a material fact in the Borrower's application, the Buyer's Affidavit, the Seller's Affidavit, or any other document executed in connection with the origination of the Mortgage Loan was or is untrue or incomplete.

SECTION 5. Reports to the Administration.

The Mortgage Lender may be required to submit to the Administration one or more copies of a report as may be required from time to time, in a form prescribed by the Administration, setting forth the principal amounts of Mortgage Loans (a) for which an application for MCCs has been submitted, (b) committed or (c) disbursed, together with any additional information that the Administration may reasonably require. The Mortgage Lender shall submit any evidence of the Mortgage Lender's applications for MCCs requested by the Administration within 10 business days of the Administration's request.

SECTION 6. Special Initiatives and Special Programs.

From time to time, the Administration, in its discretion, may establish special programs or initiatives that impose alternative or additional requirements or restrictions for borrowers, residences, or other matters related to the Mortgage Loans. In those cases, the special requirements or restrictions may be set forth in the Lender Documents.

In addition, if the special program or initiative involves the securitizing of Mortgage Loans, the requirements of the issuer of the investment certificate shall be requirements for the Mortgage Loans.

SECTION 7. Representations and Warranties of the Mortgage Lender.

(a) The issuance by the Administration of MCCs is conditioned upon the compliance by the Mortgage Lender with all requirements set forth in this Agreement and upon the undertakings, representations, and the existence now and in the future of the state of facts set forth in this Section. The Mortgage Lender represents and warrants that such state of facts will be true and correct at the times set forth below and agrees that these representations and warranties survive the origination of such Mortgage Loans.

(b) The Mortgage Lender represents and warrants that for each Mortgage Loan as of each Mortgage Loan closing date:

(1) (A) The Mortgage Lender has assisted in the completion of, obtained, and examined with reasonable care the Buyer's Affidavit and any applicable Seller's Affidavit and the other documents required in the Lender Documents, and has made suitable inquiry of the affiant about the information contained in them. Based upon these actions, unless permitted by the Administration as provided in the Lender Documents, no facts have come to the attention of the Mortgage Lender that would lead the Mortgage Lender to believe that:

- (i) the Eligible Residence is not located in the State,
- (ii) the Acquisition Cost of the Eligible Residence exceeds the applicable Region Limit, whether by virtue of its location, prior occupancy, reasonably anticipated additions or completions or its inclusion of space, land or outbuildings intended for any trade or business use or land in excess of that reasonably necessary to maintain its basic livability, or
- (iii) the Borrower does not intend to occupy the Eligible Residence as the mortgagor's principal residence within 60 days after the settlement of the Mortgage Loan, or fails to comply with the applicable limit on the Borrower's Income, or

(iv) except in the cases of a Targeted Area Loans , or as may be permitted otherwise by the Administration, any of the Borrowers fail to qualify as an Eligible Borrower by virtue of the existence of a "present ownership interest" in a principal residence, or

(v) any Borrower will use all or any portion of the Eligible Residence, including the land and any outbuildings, for any trade or business use, unless preapproved by the Administration, or

(vi) any portion of the Mortgage Loan is intended to be used to refinance an existing loan or to finance the purchase of a residence in violation of Section 4(e) of this Agreement, or

(vii) a Mortgage Loan fails to comply with applicable federal tax law requirements as specified in applicable Lender Documents.

(B) In connection with paragraph (1)(A)(iv) above:

(i) the Mortgage Lender has obtained from each individual who has a title interest in the Eligible Residence copies of such individual's federal income tax returns or acceptable alternative documentation as specified in the Lender Documents for the three calendar years preceding the date on which the Mortgage Loan was closed (or the Mortgage Lender has no reasonable grounds to believe that such individual's Buyer's Affidavit was incorrect if it represents that the individual in question was not required to file a federal income tax return for such calendar year or years) and none of such federal income tax returns or alternative documentation shows any deduction claimed for taxes or interest on indebtedness with respect to any real property; and

(ii) in connection with paragraph (1)(A)(ii) above, the Mortgage Lender has no reason to believe that any payments in kind made to or for the benefit of the seller of the Eligible Residence in connection with its purchase or that any items required to be added to or deducted from the sales contract price in computing the Acquisition Cost of the Eligible Residence have not been fairly valued or estimated in the contracts attached to the Buyer's Affidavit.

(2) Each Mortgage Loan complies with the terms and conditions set forth in this Agreement.

(c) The Mortgage Lender represents and warrants that as of the date of execution of the Agreement and at all times that it is originating or attempting to originate Mortgage Loans for certification by the Administration:

(1) In the performance of this Agreement the Mortgage Lender (A) has not discriminated or permitted discrimination against any individual or group of individuals on the grounds of sex, race, color, marital status, family status, age, religion, or national origin, or in any other manner prohibited by the laws of the United States or the State and (B) has made Mortgage Loans within such Mortgage Lender's normal lending area available on a first-come, first-served basis to Eligible Borrowers.

(2) The Mortgage Lender (A) is a "mortgage lender" within the meaning of the Act, having its principal Maryland office located at the address first written above, or at the address in Maryland to which the Mortgage Lender has sent written notice to the Administration within 30 days of the change of such address; (B) is an approved seller of Mortgage Loans to FHMLC or FNMA or has met the requirements of a non-agency lender by submitting documentation for approval as described in Appendix B; and (C) is in

compliance with all other applicable State and Federal laws, rules and regulations governing the business of the Mortgage Lender and the making of loans for residential housing.

(3) At all times since the execution of this Agreement, the Mortgage Lender has processed applications for Mortgage Loans, and has originated each Mortgage Loan, in compliance with all applicable State and Federal laws, rules, and regulations.

(4) The Mortgage Lender has, and its officers acting on its behalf have, full legal authority to engage in the transactions covered by this Agreement.

(5) The execution and delivery of this Agreement and the consummation of the transactions contemplated by them, whether presently or in the future, and compliance with the terms, conditions, and provisions of them will not conflict with or result in a breach of or default under any of the terms, conditions, or provisions of the charter or by-laws of the Mortgage Lender.

(6) The Mortgage Lender is not a party to or bound by any existing agreement or instrument or subject to any existing charter or other corporate restriction or any existing judgment, order, writ, injunction, decree, law, rule, or regulation which now or in the future may materially and adversely affect the ability of the Mortgage Lender to perform its obligations under this Agreement.

(7) This Agreement has been duly authorized, executed, and delivered on behalf of the Mortgage Lender and constitute valid and binding obligations of the Mortgage Lender enforceable against it in accordance with their respective terms, subject to any applicable bankruptcy, insolvency, reorganization, or similar laws affecting the enforcement of creditors' rights generally.

(8) The Mortgage Lender is duly organized, validly existing, and in good standing under the laws of the jurisdiction governing such matters and has power and authority to own its properties and carry on its own business as now being conducted and is duly qualified to do such business wherever such qualification is required.

(9) No parent entity, subsidiary, or affiliate of the Mortgage Lender is participating as a Mortgage Lender for the Program or the Administration except as and to the extent approved in writing by the Administration.

(10) In the event of any acquisition, merger, or name change affecting the Mortgage Lender, the Mortgage Lender shall promptly notify the Administration and shall comply with the requirements of the Administration for amendment of this Agreement, and any recertification of the Mortgage Lender, or cancellation of this Agreement as deemed appropriate by the Administration in its sole discretion.

(11) The Mortgage Lender has not suffered or permitted (A) to be entered a decree or order of a court or agency or supervisory authority having jurisdiction in the premises determining the Mortgage Lender to be insolvent or providing for the appointment of a conservator, receiver, liquidator, trustee or any similar party for any reason, including without limitation, insolvency, readjustment of debt, marshaling of assets and liabilities, bankruptcy, reorganization or similar proceedings of or relating to the Mortgage Lender or of or relating to all, or substantially all, of its property, or for the winding-up or liquidation of its affairs, or (B) proceedings under any law relating to bankruptcy, insolvency or the reorganization or relief of debtors to be instituted against it, and such proceedings remain undismissed and unstayed for a period of 20 days.

(12) The Mortgage Lender has not (A) consented to the appointment of a conservator or receiver or trustee or liquidator for any reason, including without limitation, insolvency, readjustment of debt, marshaling of assets and liabilities, bankruptcy, reorganization or similar proceedings of or relating to the Mortgage Lender or of or relating to all, or substantially all, of its property or for the winding-up or liquidation of its affairs, (B) admitted in writing its inability to pay its debts generally as they become due, (C) filed a petition, or otherwise instituted or consented to the institution against it of, proceedings to take advantage of any law relating to bankruptcy, insolvency or reorganization or the relief of debtors, (D) made an assignment for the benefit of its creditors or (E) suspended generally payment of its obligations.

(13) No Mortgage Loan included in the MHCP will be (A) financed with qualified mortgage bonds or qualified veterans' mortgage bonds, whether issued by the Administration as bonds or by any other entity, or (B) made to a Borrower who is related to the Mortgage Lender within the meaning of Section 25(e)(6) of the Internal Revenue Code of 1986.

SECTION 8. Indemnification.

(a) Upon the occurrence of any of the following events with respect to a Mortgage Loan, the Mortgage Lender shall indemnify the Administration for any loss, damages, or expenses that the Administration may sustain as result of the occurrence of the event:

(1) The Administration determines, at any time, with respect to such Mortgage Loan that (i) any material representation by the Mortgage Lender in this Agreement was untrue when made (including any information in any document required by the Lender Documents with respect to such Mortgage Loan), (ii) any material warranty or term under this Agreement has been breached, or Mortgage Loan documents have not been provided to the Administration within the time required by the Lender Documents, (iii) a misstatement or omission of a material fact exists in any of the documents for such Mortgage Loan as required by the Lender Documents, or in the application or any other document executed in connection with the origination of the Mortgage Loan, whether made by any borrower or by the Mortgage Lender; or (iv) the Mortgage Loan did not comply with the federal requirements of the MHCP;

(2) The Mortgage Lender defaults under any provision of this Agreement or any other agreement with respect to the Mortgage Loan; and

(3) The Administration determines, at any time, with respect to such Mortgage Loan, that any Mortgage Loan Document, including, without limitation, (i) any document obtained from a commercial on-line service that has been approved by the Administration, (ii) any document typed or otherwise transferred into the Mortgage Lender's computer system, or (iii) any other document other than a photocopied form directly provided by the Administration, does not conform to the form required by the Administration.

(b) The Mortgage Lender waives the defense of any statute of limitation that otherwise could be raised in defense to any obligation of the Mortgage Lender or action for damages to the Administration.

SECTION 9. Mortgage Loan Documents.

(a) By the times specified by the Administration, the Mortgage Lender shall submit to the Administration for each Mortgage Loan to be certified by the Administration, (1) the information and documents as required in the Lender Documents, and (2) any additional documents required in the opinion of counsel to the Administration to evidence the Mortgage Lender's compliance with any representations, terms, or conditions contained in this Agreement. The Mortgage Lender warrants by this Agreement that copies of

any document delivered to the Administration are true and accurate copies of their respective original documents.

(b) By the times and in the manner specified by the Administration, the Mortgage Lender shall deliver the documents specified in the Lender Documents for each Mortgage Loan to or upon the order of the Administration, together with all assignments, endorsements, certifications and acknowledgments required by this Agreement. The Mortgage Lender shall set aside all original documents for all Mortgage Loans certified or to be certified to the Administration in a secured location..

(c) The Mortgage Lender shall pay for the preparation and furnishing to the Administration of all instruments and any and all expenses in connection with the transactions covered by this Agreement, including, but not limited to, the cost of preparing and recording or re-recording, as required, all the documents necessary to accomplish the transactions intended in this Agreement (except as provided below), plus applicable recording charges, and legal fees other than legal fees for services rendered by counsel to the Administration. This subsection shall not prevent the Mortgage Lender from charging the Borrower closing costs on Mortgage Loans to the extent permitted by this Agreement.

SECTION 10. Representations and Warranties of Administration. The Administration represents and warrants that its execution of this Agreement has been duly authorized and is in all respects in compliance with the Act.

SECTION 11. Required Statement. In the Lender Documents, the Administration may require the Mortgage Lender to include in each Commitment, if any, for a Mortgage Loan a statement that the Mortgage Loan was made possible through the efforts of the Administration.

SECTION 12. Mortgage Loans as Additional Loans. The Mortgage Lender represents and warrants that each Mortgage Loan shall be in addition to, and not in substitution for, residential mortgage loans it otherwise would have made in the State and that no Commitment to make any such Mortgage Loan was entered into before the MHCP opening date, or in substitution for any Commitment entered into before that date.

SECTION 13. Additional Inducements to Mortgage Lenders. The Administration may offer additional inducements to encourage Mortgage Lenders to make Mortgage Loans which will further specific purposes of the Administration. The Administration shall provide any inducements in the amount or amounts, in the manner, on the conditions or under the circumstances determined in its sole discretion.

SECTION 14. Remedies. If the Mortgage Lender fails to originate Mortgage Loans in accordance with the terms of this Agreement, or fails to comply with the terms and conditions of this Agreement, or any Lender Documents, the Administration may terminate this Agreement. Moreover, the Mortgage Lender agrees to indemnify the Administration and hold the Administration harmless with respect to any and all claims and damages arising from or related to such failure. In addition, the Administration reserves all its rights and remedies against the Mortgage Lender available at law or in equity.

SECTION 15. Opinion of Counsel and Financial Information. At the time of delivery of this Agreement, the Mortgage Lender shall deliver an opinion of counsel to the Administration or an agent of the Administration in substantially the form of the attached Exhibit A-1 (for combined MMP/MHCP Mortgage Lenders) and the certificate of resolutions and authorized officers required by Exhibit A-1 (Exhibit A-1 Addendum) or Exhibit A-2 (for MHCP-only Mortgage Lenders) and the certificate of resolutions and authorized officers required by Exhibit A-2 (Exhibit A-2 Addendum), and unless previously provided, financial and other information required by Exhibit B and the Addendum to Exhibit B (Exhibit B Addendum);

these exhibits may be amended from time to time by the Lender Documents. The Mortgage Lender shall provide any supplements to or updates of the opinion of counsel or of the financial and other information that the Administration requests.

SECTION 16. Other Provisions.

(a) The Mortgage Lender, at its expense, shall execute all other documents and take all other steps requested by the Administration from time to time to perform the covenants, representations, and warranties in this Agreement.

(b) The Administration may at any time decline to certify any Mortgage Loan offered or submitted to it by the Mortgage Lender, that the Administration determines, in its sole judgment, does not conform to this Agreement.

(c) The provisions of this Agreement may not be modified except by a written instrument signed by the parties. The provisions of this Agreement cannot be waived except by (1) a written instrument signed by the party granting the waiver or (2) a Lender Document. Inaction or failure to demand strict performance shall not be deemed a waiver. Any waiver granted by the Administration in any specific instance may not be a waiver in any other instance.

(d) If the Mortgage Lender receives any funds from any source intended to reduce or pay the Mortgage Loan or to assist in the payment of the monthly payments, the Mortgage Lender shall apply all such funds for the purposes intended.

(e) This Agreement shall be governed by the laws of the State.

(f) In any action or proceeding arising out of, or as a result of, this Agreement executed by the Mortgage Lender, or the alleged or anticipated breach of any of the provisions, representations, or warranties contained in this Agreement, in any Lender Documents, the Mortgage Lender submits to the jurisdiction of the Circuit Court of Anne Arundel County, Maryland; provided, however, that in any such action or proceeding arising under federal jurisdiction, the Mortgage Lender submits to the jurisdiction of the United States District Court, the District of Maryland. The Mortgage Lender waives any objection to venue for any such action being instituted in Anne Arundel County, or in the case of federal jurisdiction in Maryland.

(g) All communications between the parties shall be in writing and, for all purposes shall be deemed received or given when mailed, certified or registered mail, postage prepaid, addressed to the Administration at 100 Community Place, Crownsville, Maryland 21032, Attention: Director, Single Family Housing, and to the Mortgage Lender at its address shown on this Agreement. The Administration and the Mortgage Lender may designate to the other party in writing other or different addresses to which communications may be sent.

(h) All agreements, representations, and warranties made in this Agreement and in the Lender Documents shall survive the certification of any and all Mortgage Loans under this Agreement.

(i) This Agreement may be executed in any number of counterparts, all of which taken together constitute one and the same instrument, and either party may execute this Agreement by signing one or more counterparts.

(j) Headings and titles in this Agreement are for convenience only and may not influence the construction or interpretation of this Agreement.

(k) If any term, covenant, condition, or provision of this Agreement, or the application of it to any circumstance, shall be determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement, or the application of it to circumstances other than those for which it is held invalid or unenforceable, shall not be affected and each term, covenant, condition, and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(l) The Mortgage Lender may not assign this Agreement without the written consent of the Administration.

(m) All of the covenants and agreements contained in this Agreement shall extend to and be obligatory upon all successors of the respective parties.

(n) The Administration may periodically evaluate the Mortgage Lender's performance under this Agreement in accordance with criteria specified by the Administration in the Mortgage Lender Documents. As a result of its evaluation of the Mortgage Lender, the Administration may decline to certify further Mortgage Loans from the Mortgage Lender, take other specified actions, and may additionally cancel this Agreement.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have duly executed this Agreement which shall be effective as of the date the Administration executes the Agreement.

WITNESS:

Name of Mortgage Lender

By: _____

Signature

Printed Name and Title

Date: _____

WITNESS:

COMMUNITY DEVELOPMENT
ADMINISTRATION

By: _____

Name: _____

Title: _____

Date: _____